

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 SAJ-01 TRSE-00 OMB-01

/072 W

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R 071453Z DEC 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 3695

INFO AMEMBASSY BONN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION NATO

AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: ELAB, PINT DA

SUBJECT: ADOPTION OF EMERGENCY ECONOMIC MEASURE ENDS GOVERNMENT
CRISIS

REF: COPENHAGEN 4448

SUMMARY: IN A CLOSE VOTE LAST SATURDAY NIGHT, THE GOVERN-
ING SOCIAL DEMOCRATS AND THEIR ALLIES PASSED A BILL
PRIMARILY DESIGNED TO HOLD THE LID ON WAGE INCREASES
AND PREVENT WILDCAT STRIKES OVER THE NEXT THREE MONTHS
BUT WHICH FREEZES ONLY PRICES AND RENTS. THE PREVIOUS
TWO WEEKS OF POLITICAL TURMOIL CULMINATING IN THE PASSAGE
OF THIS LEGISLATION REPRESENTED A MAJOR CHALLENGE TO
PRIME MINISTER ANKER JORGENSEN. IN THE PROCESS, HE
ALMOST LOST THE SUPPORT OF THE PARTIES TO THE CAREFULLY-
PIECED TOGETHER AUGUST ECONOMIC AGREEMENT AS HE
APPEARED TO BOW TO LABOR UNION PRESSURES. A VARIETY
OF FACTORS CONTRIBUTED TO HIS SUCCESS IN PULLING HIS
GOVERNMENT THROUGH THE CRISIS AND JORGENSEN MAY WELL
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HAVE INCREASED HIS OWN STATURE AS A RESULT. BUT

THERE ARE DISTURBING INDICATIONS THAT THE WRANGLING AND UNCERTAINTY OF THE CENTER PARTIES IN DEALING WITH THE STRIKERS' DEMANDS PROVIDED A SHARP STIMULUS TO POLARIZATION IN THE DANISH BODY POLITIC. END SUMMARY.

1. AFTER A LATE NIGHT SESSION LAST SATURDAY, THE SOCIAL DEMOCRATIC MINORITY GOVERNMENT AND ITS ALLIES SQUEEKED THROUGH ON AN 89-85 VOTE. THE ISSUE WAS THE PASSAGE OF LEGISLATION PRIMARILY DESIGNED TO INHIBIT FURTHER WAGE INCREASES BEFORE MARCH 1, 1977.

2. VOTING AGAINST THE LEGISLATION WERE THE THREE PARTIES OF THE FAR LEFT AND THE LIBERALS AND PROGRESSIVES ON THE RIGHT. THE LEFT WAS IN OPPOSITION BECAUSE THE LEGISLATION WENT TOO FAR; THE RIGHT BECAUSE IT DID NOT GO FAR ENOUGH. BUT IF IT HAD NOT BEEN CLEAR THAT A GOVERNMENT MAJORITY WAS CERTAIN, PROBABLY THE LIBERALS AND AT LEAST PART OF THE SOCIALIST PEOPLES PARTY WOULD HAVE CHANGED THEIR POSITIONS IN ORDER TO AVOID UNWANTED ELECTIONS.

3. THE LEGISLATION ITSELF FREEZES PRICES AND HOUSE RENTS THROUGH FEBRUARY 28. WAGES, WHICH ARE ALREADY COVERED BY EXISTING CONTRACTS, ARE NOT DIRECTLY TOUCHED, BUT BY PUTTING A TIGHT LID ON PRICE INCREASES, THE NEW LEGISLATION BUTTRESSES THE RESISTANCE OF EMPLOYERS TO DEMANDS FOR WAGE HIKES, AND WAGE GAINS EXTORTED VIA WILDCAT STRIKES ARE RULED INVALID BETWEEN NOW AND THE CONCLUSION OF A NEW NATIONAL WAGE AGREEMENT MARCH 1.

4. PRICE INCREASES OCCASIONED BY HIGHER COSTS OF IMPORTED RAW MATERIALS, ETC. WILL BE PERMITTED. BUT THE STRUCTURE OF THE LEGISLATION APPEARS TO MEAN THAT WAGE INCREASES FORESEEN IN EXISTING CONTRACTS WOULD HAVE TO BE ABSORBED BY EMPLOYERS WHO COULD NOT RAISE PRICES IN COMPENSATION. THIS PENALTY ON EMPLOYERS NEARLY SPLIT THE RADICALS (ONE OF THE GOVERNMENT'S SUPPORTING PARTIES). A LIMITED OFFICIAL USE

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RADICAL LEADER INSISTED TO THE BITTER END THAT HE COULD NOT SUPPORT SUCH AN "INJUSTICE", AND HE ABSTAINED AT THE VOTE.

5. THE APPARENTLY MINIMAL ECONOMIC EFFECTS OF THIS LEGISLATION WILL BE EXAMINED IN A SEPARATE MESSAGE. POLITICALLY, THE PERIOD OVER THE LAST COUPLE OF WEEKS HAS REPRESENTED A MAJOR CHALLENGE

TO PRIME MINISTER ANKER JORGENSEN. THE CRUX OF THIS CHALLENGE WAS HOW HE, A "LABOR" PRIME MINISTER, WOULD RESPOND TO "ILLEGAL" STRIKES WHICH THREATENED THE ECONOMIC PLAN SO CAREFULLY PIECED TOGETHER BY THE AUGUST 1976 COMPROMISE. IN THE PROCESS, HE ALMOST LOST THE SUPPORT OF COMPROMISE PARTIES AS HE APPEARED TO CRUMBLE UNDER PRESSURE FROM THE TRADE UNION FEDERATION (LO). AND IN THE EVENT, AS NOTED ABOVE, WAGES AND STRIKES AS SUCH ARE NOT ADDRESSED IN THE BILL THAT WAS FINALLY PASSED.

6. BUT JORGENSEN WAS ABLE TO CAPITALIZE ON A COMBINATION OF FACTORS IN ORDER TO MEET THE CHALLENGE SUCCESSFULLY. THESE FACTORS INCLUDED A SURGE OF PUBLIC OPINION AGAINST THE STRIKERS AND A DEMAND THAT THE GOVERNMENT "DO SOMETHING." ALSO IMPORTANT WAS THE FEELING--BOTH AMONG VOTERS AND PARTY LEADERS--THAT AN ELECTION NOW WAS NOT ONLY UNDESIRABLE BUT WOULD SETTLE NOTHING. FINALLY, THERE IS THE WIDESPREAD CONVICTION THAT ONLY A SOCIAL DEMOCRATIC GOVERNMENT CAN DEAL "STERNLY" WITH THE TRADE UNIONS WITHOUT PROVOKING A SERIOUS CRISIS FUNDAMENTALLY DAMAGING TO THE DANISH SOCIETY.

7. THE MERE FACT THAT JORGENSEN PULLED HIS PARTY AND GOVERNMENT THROUGH THE CHALLENGING EVENTS TENDED TO INCREASE HIS STATURE AND THIS HAS ALREADY BEEN REFLECTED IN SOME FOREIGN COMMENT. BUT THE DISPLAY OF UNCERTAINTY AND WRANGLING AMONG THE PARTIES OF THE CENTER OVER WHAT TO DO IN AN EMERGENCY SITUATION UNDOUBTEDLY FUELED EXISTING TENDENCIES TOWARD POLARIZATION IN THE DANISH BODY POLITIC.

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8. THE STRENGTH OF MOGENS GLISTRUP'S PROGRESSIVES HAS HERETOFORE BEEN THE PRIMARY EXAMPLE OF THIS ON THE FAR RIGHT. MOST RECENTLY, DISTURBINGLY, AND HOPEFULLY ONLY TRANSITORY, HAS BEEN A SURGE OF STRENGTH ON THE FAR LEFT. A GALLUP POLL CONDUCTED AT THE HEIGHT OF THE PETROLEUM TRUCK DRIVERS' STRIKE SHOWED THE COMMUNIST PARTY AS HAVING DOUBLED ITS SUPPORT (FROM APPROX. FOUR TO EIGHT PERCENT) AMONG THE ELECTORATE TO REACH AN ALMOST UNPRECEDENTED PEAK. IN THIS POLL, THE COMBINED SUPPORT OF THE THREE PARTIES OF THE FAR LEFT TOTALED 16 PERCENT. WHAT ALL THIS MAY MEAN FOR THE FUTURE OF DENMARK WILL BE EXAMINED FURTHER IN A SUBSEQUENT MESSAGE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC RECOVERY, LABOR STRIKES, WAGE CONTROLS, PRICE CONTROLS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976COPENH04512
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760452-0900
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761267/aaaacfyx.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 COPENHAGEN 4448
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by ShawDG>; APPROVED <07 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ADOPTION OF EMERGENCY ECONOMIC MEASURE ENDS GOVERNMENT CRISIS
TAGS: ELAB, PINT, DA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006